MOBILE HOME DECOMMISSIONING & REPLACEMENT
AND
MOBILE HOME PARK ACQUISITION

STRATEGIES FOR MONTANA

A PRELIMINARY ANALYSIS AND REPORT

COMMISSIONED BY:
DISTRICT XI HUMAN RESOURCE COUNCIL
Serving Mineral, Missoula, and Ravalli Counties
and
DISTRICT VII HUMAN RESOURCE DEVELOPMENT COUNCIL
Serving Big Horn, Carbon, Stillwater, Sweet Grass, and Yellowstone Counties

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Introduction

The purpose of this report is to recommend a conceptual strategy or strategies to decommission and replace occupied mobile homes that were built prior to the implementation of the 1974 HUD Construction Standards for such housing. The recommended strategies are based on a summary review of best practices in other states and a preliminary analysis of the market and need for replacing the substandard, and energy inefficient housing stock in Montana.

Mobile homes or manufactured housing generally represent the lowest cost and most affordable housing in the state. However, mobile homes, and especially those constructed before the National Manufactured Housing and Safety Standards took effect in 1976, also often represent the most substandard, unsafe, and energy consumptive housing in Montana. The challenge is to develop strategies that permanently remove the dilapidated mobile homes from the Montana housing stock while providing the opportunity (and financing) for affordable replacement housing to the residents, most of whom have lower incomes.

The strategies described in the report are at the conceptual stage of development and are meant to be flexible and modified with further input from potential participants and stakeholders. Additional information and research will be necessary to confirm the technical, financial, and political feasibility of implementing the strategies.

Background: Manufactured Housing and the HUD Code

"Mobile homes" first consisted of trailers during the 1920's, used primarily by migrant workers and travelers as sleepers hauled behind cars. During World War II, their use became more prevalent and their placement more permanent as they were often used for defense industry workers and on military bases. In the 1960's and 70's mobile home construction transitioned into the multibillion dollar manufactured housing industry to satisfy the demand by baby boom families for low cost housing that could be set up almost anywhere. Mobile home parks began to proliferate around the country providing leased space for locating the growing number of manufactured homes. During this era the homes grew larger, heating and long term utility hook up systems were added, and the homes became less mobile.

However, there were no building codes or standards for the manufactured homes, and they were often built of flimsy and non-durable materials, not really designed for long-term permanent housing. In addition, materials used were sometimes highly flammable or toxic and the homes lacked sufficient ventilation and insulation.

To address concerns about safety and durability, the U.S. Congress passed legislation to enact the HUD Code in the National Manufactured Housing Construction and Safety Standards Act of 1974 to establish comprehensive codes and standards that govern the construction of manufactured housing. The HUD Code took effect in 1976, and today sturdier construction, factory inspections, and standard requirements have made manufactured housing more durable and safe, generally comparable to site built housing. A series of studies conducted at the University of Michigan in 1994 indicated little difference in the durability and value retention of manufactured homes and site-built homes.

Today, manufactured housing can be described as a continuum - from a few components built off-site such as windows, cabinets, and roof trusses to a complete structure ready to be set in place. The manufactured housing continuum can generally be divided into three categories: site built, modular, and manufactured.

Site built homes include the use of manufactured components but are primarily constructed on site. Modular homes are assembled in three dimensions at the factory. They may be more than 90 percent complete, and are towed to the site where they are assembled. Modular homes must conform to local building codes for site built housing. Once in place, these houses are virtually indistinguishable from site-built houses.

Manufactured housing is fully completed inside a factory and is distinguished from modular housing by the existence of a permanent chassis to which wheels are attached to tow the house to its site. Once there, the wheels and hitch are usually removed and the unit is leveled and anchored. The chassis remains in place.

Originally, manufactured housing consisted in single widths and lengths to be transported on a highway. Today, double- and triple-width and even two story units are common, moved separately and then attached at the site. Manufactured housing now ranges from antiquated, unsafe, energy consumptive homes that have outlived their useful life to homes with design, size, durability, energy efficiency, and quality comparable to any site-built home.

Another major goal of the legislation enabling the HUD Code was to preserve access to affordable housing for middle and lower income families. Manufactured housing has long been recognized as the lowest cost and most affordable housing available, especially in rural and semi-rural areas, and the continued use and expansion of manufactured housing is driven by affordability.

According to the 2000 Census, nationally the median income of mobile homeowners was $28,000 (conventional homeowners median income was $52,000), and one-third made less than $20,000. There are also an increasing number of middle income families and retirees buying manufactured homes as they become priced out of site-built homes in some areas. In 1999, about 6.8 million manufactured homes were occupied as a primary residence (6.6% of the nation's 103 million occupied housing units).

With continually and often rapidly rising construction costs, affordable housing developers and advocates throughout the country are increasingly turning to manufactured housing as one effective method of producing homes affordable to lower and moderate income households. In 2001 the average new conventional, or "site-built," home in the Unites States cost $164,217 not counting land whereas a new manufactured home cost $48,800. Montana has several affordable housing projects underway to demonstrate that lower cost manufactured homes can also be durable, energy efficient, attractive, and have appreciating values. For example, the Montana Board of Housing (MBOH), the Anaconda Job Corps, the United Brotherhood of Carpenters and Joiners of America, and the Painters & Allied Trades International Union are collaborating to produce the Montana House™. Through the program, a 960 square foot, two-bedroom, one-bath, well insulated, energy efficient manufactured home with 2' x 6’ exterior walls is being built and sold to qualified low income homebuyers for approximately $35,000.

While new energy efficient manufactured housing offers some hope for continued affordable housing production, the older pre-HUD Code housing continues to permeate the housing market. The Montana Weatherization Assistance Program attempts to retrofit homes for greater energy efficiency and administer publicly funded home rehabilitation efforts throughout the state. That Program's experience shows that although not every pre-HUD Code manufactured home is dilapidated beyond cost effective renovation, the majority of the 30 to 50 year old mobile home stock has outlived its useful life. It is this often unsafe and barely habitable component of the manufactured housing stock that the strategies outlined in this report are designed to address.

Problems, Issues, and Barriers to Mobile Home Replacement

The need to decommission and replace antiquated and dilapidated manufactured housing has been recognized by community development, weatherization, and affordable housing professionals for some time. Last year, the Community Development Block Grant Program formed the Mobile Home Working group with representation from state, local, and federal government, the manufactured housing industry, and affordable housing organizations. The goal of the group is to eliminate older, energy inefficient mobile homes within ten years and replace these mobile homes with newer manufactured homes constructed to energy conservation standards.

Financing and regulatory barriers have effectively excluded lower income mobile home owners, particularly those on leased land and in mobile home parks, from receiving replacement assistance that can be made available through Community Development Block Grant (CDBG), Montana Board of Housing (MBOH), and the Montana HOME Program. Two recent trends are exacerbating the need and creating a sense of urgency to developing strategies to address this most neglected component of Montana's substandard yet affordable housing stock.

First, rapidly escalating energy prices are resulting in a serious cost burden for many lower income households that often reside in the inefficient energy consumptive and pre-HUD Code mobile homes. Second, older mobile home parks throughout the country and now in Montana are closing, resulting in displacement, loss of affordable housing, and even homelessness for park residents as they are effectively "evicted" and must relocate their homes. These two trends led the District XI Human Resource Council and the District VII Human Resource Development Council to commission a preliminary analysis of the mobile home replacement need and development of strategies to address the identified need in the state.

Mobile Home Park Closures

Perhaps the most critical situation that many lower income mobile home occupants face is the threat of displacement, loss of property, and even homelessness resulting from potential mobile home park closures. According to a national study conducted by the Association for the Advancement of Retired Persons (AARP), nearly half of manufactured homeowners lease the land on which their homes are placed, usually in mobile home parks.

Throughout the country including Montana older mobile home parks are closing for a number of reasons. A recent survey in New Hampshire found the following major reasons for park closures:

Reason Provided For Park Closures in New Hampshire

Sale for Development, Change of Property Use, or Other Financial	46%
Infrastructure Problem	28%
Retirement, Health of Owner, or Other	26%

The New Hampshire study indicates that the problems associated with closure are most severe in high cost areas where park land is becoming more valuable for malls or subdivisions and where relocation sites are cost prohibitive. However, even sparsely populated and lower cost areas are not immune to the problems caused by such closures.

Since the 1960's and 70's most manufactured homes have been generally designed to be placed permanently on a pad and then maintained there for their useful life. One obvious reason older mobile homes cannot be relocated is their physical condition. Many of these homes have deteriorated to the point where they are no longer structurally sound. For example, in attempting to relocate her mobile home due to a recent park closure in Whitefish, the home of one elderly woman was literally falling apart in transport to Columbia Falls, the nearest available relocation site.

Although some older mobile homes may withstand a move, many, if not most, modern mobile home parks have strict age and/or condition restrictions on the mobile homes they will consider for admission, conditions that older mobile homes cannot meet. Many mobile home parks will not allow a home that has been moved more than once, which includes the move to that site. Relocation options are further limited by the very low vacancy rates historically found in mobile home parks.

Relocation may also be hindered by local zoning and land use regulations. Mobile homes and mobile home parks often evoke negative images of low quality housing occupied by low income persons. “Trailer trash” has become a part of vernacular and the Oxford Dictionary describes “trailer park” as an adjective meaning lack of refinement, taste, or quality. Because of these negative stereotypes, some zoning codes ban older and smaller sized manufactured housing or restrict it to remote areas where infrastructure is lacking. Such zoning restrictions severely limit the location options for manufactured home placement and the relocation options when mobile home parks close.

In addition, the financial capacity of the often lower income and elderly residents of mobile home parks further limits relocation or replacement housing options. When forced out of their mobile homes, many of these residents’ choices will be limited to much higher cost housing. Although often substandard, manufactured housing in mobile home parks usually represents the lowest cost housing in a community.

To demonstrate the affordability that mobile home ownership presents, one can use HUD’s Fair Market Rents (FMRs) as a basis for comparison. The FMR for two-bedroom rental units is around 2 times the FMR for mobile home spaces throughout Montana. When comparing the cost of three-bedroom rental units to the cost of mobile home spaces, that ratio increases to between 3 and 3.5 times. This demonstrates that in a typical Montana market, a family who owns its mobile home pays less than half to rent a mobile home space than what it would pay for a 2BR unit, and a third of what it would pay for a 3BR unit.

A 1999 article in the American Bar Association's *Journal of Affordable Housing and Community Development* that examined case studies of mobile home park closures in Oregon found that a substantial number of people were being adequately housed in their homes in the closed mobile home parks at values per unit which could not be duplicated in either the private, or the public, low-income housing markets. The article concludes that the impact of mobile home park closures most often has a devastating impact on both the residents and the community: "In situations where low-income elderly and other persons are involved, the private burden and the public costs will be tremendous."

Two communities in Montana are currently experiencing the disruption, displacement, loss of property, and loss of affordable housing caused by mobile home park closures. In Whitefish, the sale of one park which was formerly at the edge of town but is now in a prime location for redevelopment is in progress. This is a park where the mobile homes are owned by the residents, while they lease the lot space. The park is 8-9 acres and will likely sell for $9-11 million. The park had 62 mobile homes. Even though the park owner gave residents longer than the six month required notice, all but one of the mobile homes that have been relocated have had to leave Whitefish due to the cost of lots and a city ordinance that permits only Class A trailers (wider than 20')to be sited in the community; single-wide mobile homes are typically 14' wide. Some residents have simply had to walk away from their mobile homes – they could not afford the cost of relocating to another community. Not only will these families lose their homes, but those that still have debt on their homes will have their credit rating seriously damaged. As of May 15, 2006 there were 25 homes remaining in the park that may be abandoned.

The Whitefish Housing Authority is diligently working to assist as many of the displaced residents as possible, but its resources are limited. It is offering security deposit assistance for those willing to move to a rental situation and is providing assistance to the one owner of a double wide mobile home to relocate within the City. The transition to a rental market where two bedroom units typically rent for $800-$1,100 will not be easy for those accustomed to paying $260 for a mobile home lot space.

In Red Lodge there are two parks that are currently for sale. The larger park is located in the heart of town and is 6 to 8 acres with 30-40 owner occupied mobile homes. The park owner is asking $1.5 million for the property. The city offered to trade the land for a city-owned property, but the owner said the properties were not comparable and declined the offer. The community is especially concerned about this property because many of the residents are families with school-aged children. Because there is little affordable housing on which to relocate, the community worries that the mobile home owners will relocate to surrounding communities, out of the Red Lodge school district. This will not only negatively impact the park residents, but the school district as well.

Lots in Red Lodge typically sell for $70,000, which is far out of reach of the average mobile home owner. In this park, it is estimated that residents are below 80% of the area median income (AMI), and most likely fall below 50% of AMI.

These current mobile home park sales and closures are likely to be a preview of similar scenarios that will recur elsewhere in Montana over the coming years. In recognition of the loss of affordable housing stock and the devastating impact these closures can have on perhaps the most vulnerable low income and elderly households and the community at large, several states have passed legislation and policies designed to proactively address the issue. The most successful efforts by other states and communities will be described in more detail in the recommended strategies section of this report.

Mobile home owners residing in parks are also vulnerable to problems in addition to those caused by closures. These problems include rent increases that are often greater than the income growth of lower income residents, especially those on fixed incomes. Park tenants have few options but to pay the increased lot rent rates.

Failing and inadequate infrastructure is another significant problem facing mobile home park residents, especially those in rural areas. In Montana, many mobile home parks have their own septic and water systems. In some instances the systems were inadequate from their inception and in others the systems are aging and failing. These failing systems can have a negative impact not only on the residents but on the surrounding community and environment. When park residents are predominantly lower income, the Community Development Block Grant and Rural Development Program funds can be used to finance infrastructure upgrades and improvements. For example, the Salish and Kootenai Housing Authority recently received a "Best Practices" award from HUD for its use of Block Grant funds to purchase and renovate the Willow Wynne Mobile Home Park, including upgrades to the water and sewer systems.

Additionally, the insecure tenure and unpredictable future lease costs in mobile home parks and other land leased situations are among the major factors that determine the way in which manufactured homes financed. The financing terms for manufactured housing on leased space present among the most formidable barriers to replacing or rehabilitating older mobile homes.

<u>Manufactured Home Financing</u>

The way manufactured homes are typically financed is among the most negative aspects of the industry. Montana, like most states, does not title manufactured housing as real property unless it is on a permanent foundation located on land owned by homeowner. While more recently mortgage financing is being made available for manufactured housing on permanent foundation with long-term leaseholds that equal or exceed the term of the mortgage, manufactured housing on short-term leased land is considered personal property and is not eligible for conventional, FHA, Montana Board of Housing, Rural Development, or HOME Program mortgage financing or assistance. Usually, these homes are financed with installment personal-property loans, much like automobiles, often with retailers directly involved with the financing. A 1993 nationwide industry survey found that nearly three out of four manufactured home loans (for new and existing units) were placed through retailers. The difference between real estate mortgages and the personal property financing for manufactured housing is significant with destructive consequences for the homeowners as well as the manufactured housing industry.

Conventional home mortgages usually require 10 % to 20 % down (as low as 3% for an FHA insured loan), a credit check, and an independent appraisal to ensure the value of the property is greater than the mortgage. The higher cost personal loans for manufactured housing often do not require a down payment and financing is generally provided despite the borrowers credit history or the value of the home.

A recent survey in New Hampshire found owners of manufactured homes paying a median interest of 11.8% while mortgages on site-built homes were about 6.5%. Interviews with Montana manufactured home lenders indicate that the average interest rate on manufactured home loans is currently about 12%, nearly twice the rate of a home mortgage. Poorly educated consumers attracted by homeownership with instant-occupancy, low-monthly-payments and no-money-down often are persuaded into high-priced add-ons: "origination fees," insurance premiums, extended appliance warranties, even life-insurance policies which are all tacked on to the principal. This illustrates that the ownership offered with typical manufactured housing financing has often been illusory, with costs much higher than just the difference between a real estate mortgage and personal loan costs.

Like automobiles and other personal property, manufactured homes on leased land generally depreciate rather than appreciate. As a result of the higher interest rates, lack of any down payment, and depreciating values, many manufactured homeowners owe more than their home is worth. Sometimes five or even ten years after a loan is made they may still have zero or less than zero equity. Montana manufactured housing lenders believe between 20% and 30% of mobile home park residents owe more on their homes than they are worth.

The manufactured housing lending practices, considered “predatory” by many low income and affordable housing advocates, have led to a staggering foreclosure rate of over 20%. In turn, this has led to a collapse in the manufactured housing industry itself. In December 2002, Conesco, the leading lender, declared the third largest bankruptcy in U.S. history after losing $4 billion over a two year period.

Manufactured housing placed on permanent foundations on land owned by the homeowner can be financed conventionally or with a variety of affordable housing mortgage products, such as those offered by MBOH and Rural Development. Manufactured homes on land with short term leases are not eligible for such financing, and federal and state housing program policies prohibit providing even rehabilitation services for such homes. The effect has been the exclusion of perhaps the lowest income citizens living in the most substandard housing from participating in affordable housing homeownership and preservation programs.

Energy Consumption, Energy Costs and Substandard Housing Conditions

The energy inefficiency and high energy consumption of older manufactured homes for home heating and cooling has long been recognized. As a result of the often flimsy construction of pre-HUD Code homes with 2” x 2” wall construction, open undercarriages, inefficient heating systems, single pane aluminum windows, hollow core exterior doors, and minimal or no insulation, weatherization and energy conservation professionals typically refer to such homes as “energy hogs.” Over time, the extreme climates in Montana – snow, ice and freezing temperatures followed by summers with periods of triple digit heat – have caused deterioration of older mobile homes in many instances to the point of minimum habitability.

The Weatherization Assistance Program has been retrofitting low income housing for greater energy efficiency since its founding in 1976. The goal of the program is to reduce energy consumption and energy cost burden for low income households and to reduce the overall national energy consumption of non-renewable resources. Realizing that manufactured homes require special energy conservation measures, the Department of Energy’s National Renewable Energy Laboratory developed the Manufactured Home Energy Audit (MHEA), a highly sophisticated software tool that predicts manufactured home energy consumption and recommends weatherization retrofit measures. The MHEA evaluates individual manufactured homes and takes into account local weather conditions, retrofit measure costs, and fuel costs in predicting the most cost effective energy conservation measures.

The Montana Weatherization Program has effectively used the MHEA to significantly reduce energy consumption for low income families living in manufactured housing. For example, records of the District XI Human Resource Council Weatherization Assistance Program (HRC) indicate that for an average per unit weatherization cost of $2,508, average annual energy cost reductions of $368 were achieved for low income manufactured home residents assisted in 2005.

Unfortunately, these cost savings are being offset by escalating energy prices. A 2005 Department of Energy study, "The Impact of Forecasted Energy Price Increases on Low Income Consumers", projected that the average residential energy expenditure for households heating with natural gas will rise 26 percent to $1,770 this coming year with normal weather, an increase of $367 from 2005. Significantly, according to Montana Weatherization Assistance Program records, approximately 76% of manufactured homes assisted last year heated with natural gas. Using the HRC Weatherization Program cost savings example, the projected energy cost savings equal the projected energy cost increases. Therefore, while reductions in energy consumption are being made, the energy cost burden to low income manufactured home dwellers may remain constant at best in the face of continually escalating energy costs.

While the Weatherization Program has proven to be effective in applying energy conservation measures to manufactured housing, cost effective retrofitting is simply not feasible for many of the deteriorating older mobile homes. The overall condition of the home prevents the effective application of the energy retrofits. Because of these conditions and recognizing that it may be more cost effective to replace some older units, the Bonneville Power Administration Conservation and Renewable Resources Rate Discount Program developed a calculator for decommissioning existing manufactured/mobile home and replacing them with a certified energy efficient and newer manufactured home. The calculator is similar to the Weatherization Program MHEA and calculates the cost benefit and value of energy saving for individual units. The Montana Weatherization Program is now also considering allowing the use of program funds for replacement when justified by the energy savings.

The cost benefit analyses conducted by the Weatherization Program and the Bonneville Power Administration focuses on energy savings alone, and do not consider other factors that may make replacement the most cost effective action. For example, the present and future value of the mobile home is not reflected in the cost benefit analysis. Although unit values are not documented through the Weatherization Program, staff report many instances where the amount of the weatherization funds expended is likely to exceed the value of the home.

Among the most potentially life threatening conditions nearly all pre-HUD Code mobile homes is the presence of aluminum electrical wiring. According to the U.S. Consumer Product Safety Commission (CPSC), an estimated 2 million homes and mobile homes were wired with aluminum wire between 1965 and 1974. In 1974, the CPSC determined that hazards associated with aluminum wire systems were "unreasonable risks of injury or death" and filed suit charging two dozen manufacturers. The CPSC indicates that homes wired with aluminum wiring pre-1972 old technology aluminum wire are 55 times more likely to sustain connections that reach Fire Hazard Conditions in contrast to homes with copper wiring. This potential fire hazard is particularly threatening to manufactured home residents. According to a 2001 report by the National Fire Protection Association, when manufactured homes catch fire, residents are twice as likely to die as those in conventional house fires.

Non-lethal substandard housing conditions are common, too. For example, an analysis conducted by the HRC Weatherization Assistance Program for the manufactured homes weatherized in 2004-05 found the following major rehabilitation needs:

Percent of Mobile Homes Needing Rehabilitation with Per Unit Average Cost Estimates

Item	Percent of Units	Cost Estimate
Roof	10%	$7,500
Electrical	50%	$2,500
Plumbing	25%	$1,500
Windows/Doors	80%	$1,250
Accessibility	30%	$1,750
Flooring	50%	$1,000
Floor Coverings	90%	$1,500
Cabinets/Countertops	15%	$1,000

A December 2002 Consumers Union study supports the HRC analyses, reporting that 79% of manufactured homeowners experience some sort of housing condition problem. Ill-fitting doors and windows top the list of repair needs at rate of 40%, and major plumbing problems occur 57% more than in site-built homes.

As previously mentioned, federal and state housing program policies generally prohibit rehabilitation of manufactured homes on leased space. Even if such rehabilitation were permitted, the HRC analysis indicates that the cost of rehabilitation may often exceed the value of older mobile homes with values of between $3,500 and $10,000.

The presence of hazardous materials also may present a threat to residents of older pre–HUD Code mobile homes. Any home built, or more specifically, painted, before 1978 may have lead-based paint. Lead-based paint becomes hazardous when it chips off or turns to dust. It can cause permanent side-effects when inhaled or swallowed which can go so far as to impair intelligence. It is a big risk to everyone, especially young children.

Asbestos is a man-made material that is an excellent fire resistant insulator. Asbestos was a popular building material commonly used in heating pipe/duct insulation, flooring and mastic, siding, ceiling tiles, joint compound, and plaster. However, it can cause sever health problems for some people, including cancer, when inhaled. When disturbed, tiny asbestos particles can stay suspended in the air for hours. These abrasive particles are easily breathed in and damage lung tissue. The use of asbestos as a building material was gradually phased out from 1973 to the early 1980s.

Formaldehyde was frequently used in the 1970s and 1980s in resins and glues to make particleboard, fiberboard, cabinets, countertops, paneling, and furniture. Older mobile homes, made mostly of pressed board, were sources of high formaldehyde out-gassing. Formaldehyde may cause nasal and respiratory problems and exposure to small amounts may produce flu-like symptoms. Now, formaldehyde is rarely used in new building materials and is not a common problem.

In addition to posing a potential health threat to the residents, the presence of hazardous materials adds cost and complications to the decommissioning of older mobile homes. County land fill policies and fees vary widely in Montana, and many land fills will not accept specific types of hazardous materials. Depending on where the mobile home to be decommissioned is located, transportation to the nearest land fill that will accept the unit can add considerable cost.

It should be noted that not all pre-HUD Code mobile homes are substandard or unsafe. Some homeowners have spent years maintaining and upgrading their homes, and these homes may have durability, energy efficiency, and aesthetic value equal to or better than any replacement home. As will be reiterated in the recommended strategies section, perhaps the best approach to assuring that pre-HUD Code homes are either safe and decent housing or permanently removed from the housing stock is to have a continuum of options, from energy retrofit to minor repair to major rehabilitation to replacement. The option selected could be based on a case by case empirical cost comparison analysis using such tools as the MHEA and the BPA calculator.

Montana Needs and Market

There were 412,633 housing units in Montana in 1999 according to the 2000 Census. Of those, one in seven, or 14% are manufactured homes, nearly twice the national average of 7.6%. By county, manufactured homes range from 6% of the housing stock in Deer Lodge County to 30% in Mineral County. Of the 358,667 occupied housing units, 51,750 were manufactured homes. There are 975 licensed mobile home parks in Montana with a total of 19,158 spaces. Assuming a 5% vacancy rate in mobile home parks, 35% or 18,200 households residing in mobile homes live in parks.

Seventy six percent of the mobile homes in the state were owner occupied, compared to a site-built homeownership rate of 68% according to the 2000 Census. The median market value of the mobile homes in Montana was $33,600. The value of mobile homes represents just 6.5% of homes that were owner-occupied suggesting that site-built homes have a much higher market value than mobile homes.

The average rent paid by those living in manufactured homes was $388, which indicates they remain an affordable source of rental housing. Fifty nine percent of those renting manufactured homes had affordable rents, relative to their family incomes.

Census data shows that 71% of manufactured homes used for rentals were built before 1980. Given that most manufactured home rentals were built prior to HUD's 1976 code, we can assume that most manufactured home rentals in the state have energy retrofit and rehabilitation needs. Fifty five percent of the owner occupied manufactured homes in the state were built before 1980.

More recently, a May 2006 extract from the Department of Revenue's Computer-aided Mass Appraisal System identified 28,635 titled manufactured homes in Montana that were constructed prior to 1976. As stated earlier, the age of a manufactured home does not automatically indicate its need for replacement, but when nearly 60% of all manufactured homes in Montana are more than 25 years old and nearly 50% are over 40 years old, many if not most of them will be in need of rehabilitation or replacement. If only half of the 28,635 pre-HUD Code homes in the state needed to be replaced, it would still be a monumental task, demonstrating the necessity of a persistent long term approach.

Sixty three percent of manufactured homes were occupied by one or two-person households according to the Census. One-third of residents were over 55 years of age, while 19% were over 65. Fifty three percent of those who own their manufactured homes have owned them for more than 10 years, while nearly half renting their units have moved in within 2 years. When comparing these numbers with those for site-built housing, the data indicates that there is more turnover for manufactured home renters. Similarly, those owning site-built housing have generally lived in those homes longer than those in manufactured homes.

Average income for Montana households is $42,434. Manufactured homeowners have an average of $33,486 in income, which is 36% less than those households owning site-built housing. Likewise, households renting manufactured homes have incomes of $24,991 or 33% lower than that for renters of site-built housing. Households are considered by HUD to be low-income if their incomes are below 80% of a county's median household income. For Montana, that designation for two-person households ranges from $30,000 in most counties to $37,700 in Stillwater County. Given that nearly 2/3 of manufactured homes are occupied by one or two-person households, most manufactured home residents would be considered low-income.

The above demographics and data help quantify the need in Montana. There may be as many as about 28,000 pre-HUD Code homes in need of replacement or rehabilitation. Up to approximately 18,000 families live in mobile home parks, vulnerable to rising space rent costs and an array of problems that can arise when a park closes. The majority of families living in these homes are likely to have lower incomes with approximately 20% being elderly.

Prices for new manufacture homes vary greatly depending on size, amenities, and the quality of materials and craftsmanship. Prices from dealers usually include set up, with transportation being an added cost. Based on conversions with dealers around the state, prices for single-wide new manufactured homes range from lows in the $20,000s to highs in the $40,000 to $50,000 price range, with a midrange between $25,000 and $35,000. Double wide homes can range from about $45,000 to over $150,000. Because of the income levels and financial capabilities of the generally low income population occupying pre-HUD Code homes and because of limited resources and subsidies, new manufactured homes may be too expensive for replacement housing in most cases.

Prices for used manufactured homes also have a wide range depending on condition, size, quality, amenities, location, and the way the unit is being sold. According to dealers, mobile home park owners, and transporters, used homes in decent condition range from about $10,000 to $30,000.

Repossessed manufactured homes provide the lowest price purchase opportunities. The high manufactured home foreclosure rate has led to a relatively large supply of repossessed units for sale. For example, repossession sales lists for Greentree, a major manufactured home lender, showed 24 units for sale in May and 29 units for sale in June in the Montana market this year. These homes are most often sold by bid, and Greentree did not disclose bid price information.

However, discussions with dealers and mobile home park owners indicate that the average purchase price of repo units meeting HUD Code and in decent condition tend to be in the $10,000 to $15,000 range. Sometimes a decent unit can be purchased for as low as $7,500.

There appears to be and reasonable supply of lower cost used HUD Code homes that, with some retrofit, may meet modest energy efficiency standards, and may be within price ranges that can be made affordable to lower income purchasers for replacement housing.

Transportation and set up costs vary according to distance, the type of roads traveled (two lane versus four lane), and a variety of incidentals such as the presence of axels, hitches, skirting, etc. Cost estimates were provided by several transporters for both local and long distance transportation. The local transportation and set up costs were between $800 and $1,000. Long distance costs (500 miles) ranged from $2,300 to over $4,000. Costs also seem to vary significantly depending on the specific transporter providing the cost estimate.

Cost estimates for decommissioning were also obtained from several transport companies. Decommissioning costs also have wide variation: from about $1,500 upward to about $4,000.

Further cost analysis is recommended to include some inspections of the used mobile homes available for purchase in order to assess conditions and to identify potential rehabilitation and energy retrofit needs. In addition, more detailed cost estimates of transportation and decommissioning costs for sample communities are needed. However, the preliminary cost analysis indicates that it appears to be financially feasible to develop replacement home and decommissioning financing that can be made affordable to low income households, as will be demonstrated in the "Recommended Strategies" section of the report.

Best Practices and Strategies

A summary review of practices in other states and communities reveals an overall common strategy that is repeatedly cited as a "best practice" by affordable housing and community development professionals and organizations. Initially, this strategy does not directly decommission or replace the older mobile homes, but it enables the most cost effective and financially prudent renovation or replacement of such units. Just as importantly, this strategy is seen as an essential affordable housing preservation activity, helping to transform depreciating personal property into appreciating real property, and proactively preventing potential dislocation, community disruption, loss of property, and homelessness. The strategy is the acquisition of existing mobile home parks by community based nonprofit organizations. The following are examples of how this strategy has been implemented in New Hampshire and Vermont, two states that are considered leaders and pioneers in the field.

New Hampshire

The New Hampshire Community Loan Fund was created in 1983 based on two fundamental beliefs: (1) it is not always low incomes that keep people from taking charge of their lives, sometimes it is lack of access to credit, and (2) there are owners and managers of capital that would put it to use for self-help community efforts if they had a way to do so. The Loan Fund is a private, nonprofit organization providing loans and technical assistance to self-help community economic development projects that benefit people with low and moderate incomes. The Loan Fund's first loan was to a manufactured housing park tenants' group for land acquisition as a cooperative in 1984. This experience grew into a proactive organizing and financing program for resident ownership of manufactured housing parks. In 1988, New Hampshire enacted a "right of first refusal" law for park residents that provides the opportunity for tenants to purchase a park when it becomes for sale. The law's passage was an endorsement for resident-ownership as well as an acknowledgment that owning a home on rented land was often bad public policy.

The fund only assists acquisitions by tenant-based cooperatives. Technical assistance to develop the cooperatives is made available through the Cooperative Assistance Team. Mobile home park tenants become individual members and pay a low cooperative share price that, added together, results in a low down payment for the cooperative's purchase of the park. The gap between what the residents can raise and what a conventional bank will lend is provided by the Community Loan Fund in a senior/subordinate debt package.

In all of New Hampshire's cooperatives, the land and infrastructure (sewer, water, etc.) are financed and secured by mortgages. Private banks followed the lead taken by the New

Hampshire Community Loan Fund and the New Hampshire Housing Finance Authority that financed the second and third cooperative parks (and several since) and subsequently received a national award for their innovation in financing resident purchases. The Loan Fund and Housing Finance Authority's early leadership and positive experiences gave banks the confidence that this was a legitimate and safe line of business. Since 1988, banks have reliably provided first mortgage financing for cooperative purchases and now compete for deals. In the early 1990s, the Federal Home Loan Bank of Boston began a fixed rate community investment program for its member banks. This development has been crucial for banks to offer a fixed rate loan product that helps cooperatives accomplish their goal of rent stability.

Many acquisitions include substantial rehabilitation that translates into environmental clean-up projects: fixing problems resulting in raw sewage on the ground, replacing old and leaking water lines, installing fire protection, improving drainage, and replacing dangerous electrical services. Critically important sources of debt and grants for infrastructure improvements have come from the CDBG program and the USDA's Rural Development program. Low-cost debt and grants are crucial because cooperatives generally seek to make much-needed environmental improvements that competing buyers do not consider. CDBG administrators consider these good public investments because the benefits go to the people, not for profit. Local officials appreciate that cooperatives fix environmental problems and reduce the complaints they get for code enforcement.

As of 2005, 69 cooperative manufactured housing parks have been financed in New Hampshire. No cooperative in New Hampshire has lost its park to foreclosure or sold its park to an investor. The Loan Fund's goal is to help create the systems that support the successes of cooperatives and lead to resident ownership as an opportunity for every park resident in the state.

<u>Vermont</u>

Vermont has made the preservation of existing mobile homes parks a statewide priority, and financing for acquisitions has been incorporated into Vermont's overall affordable housing funding system. Underwriting criteria for mobile home park acquisitions are similar to those for multi-family projects.

The chief agency that has financed and coordinated financing for the acquisition of mobile home parks is the Vermont Housing Finance Agency. The Agency provides four financing products that assist in the purchase of parks and replacement or renovation of homes once the parks have been acquired:

- Bond financing for park acquisition that can include infrastructure improvement.
- Bridge loan for park acquisition and redevelopment.
- Mortgage revenue bond financing for new and replacement manufactured housing.
- Refinancing of exiting debt for credit worthy homeowners that may have high cost or "predatory" loans on their existing units.

The Vermont financing package typically includes the use of state appropriated housing funds, CDBG, Rural Development and/or HOME Program funds as well as the tax exempt bond financing. In addition to the amortizing first mortgages, second subordinate loans usually have reduced interest rates and can even include deferred payments. Granted funds are also most often included in the overall financing.

Unlike New Hampshire, Vermont does not limit mobile home park purchases to tenant-based cooperatives, but allows other nonprofit and public entities to purchase the parks and own them as benevolent landlords. Vermont has found that most tenants prefer a nonprofit owner to cooperative ownership because of the multiple responsibilities associated with owning and maintaining a development. As part of the financing conditions, use restrictions limit space lease increases and re-sale prices of units within the park that receive financial assistance, thus assuring that the park will remain affordable over time. As of 2004, Vermont had 38 nonprofit-controlled parks.

Vermont is especially concerned that necessary infrastructure improvements are made. Application documents emphasize that sufficient funds must be requested to assure such improvements are made and well maintained.

Like New Hampshire, Vermont law requires that mobile home park owners notify a state agency at the time a park is offered for sale. Both Vermont and New Hampshire statutes include a right of first refusal for tenant based organizations (in New Hampshire) or nonprofit entities that have tenant support. Vermont, like the state of Oregon, provides a tax incentive to encourage mobile home park owners to sell to eligible nonprofit entities.

It should be noted that while right of first refusal requirements have been helpful to enable tenant supported organizations to purchase mobile home parks in Vermont and New Hampshire, such rights may not be supported or appropriate in Montana. The Washington state supreme court struck down a Washington right-of-first-refusal law as interfering with the right to sell property. Property rights advocates are likely to agree with the Washington court and strongly oppose any effort to legislate such rights of first refusal in Montana.

Community ownership of manufactured housing communities has proven to be a successful strategy. There is a growing body of evidence that the manufactured homes in such communities are now appreciating at rates similar to site built home. Oregon, California, Washington, among other states have instituted special program and efforts within their affordable housing and community development systems for community acquisition of existing mobile home parks. Municipalities and counties around the country are also instituting such programs, and these efforts are repeatedly cited in the literature as "best practices."

Mobile home park acquisition by community based nonprofit organizations is increasingly seen as an essential component of state and community affordable housing and community development strategies. This method, currently missing from the Montana affordable housing and community development "tool kit," sets the stage for a long term approach to decommissioning and replacing older pre-HUD code mobile homes located in such parks.

<u>Replacement, Decommissioning, and Rehabilitation</u>

Once there is community ownership of a manufactured housing development, both existing and replacement units can be set on permanent foundations and provided either cooperative land ownership or long term leases. Such homes are no longer classified as personal property but become real estate, and can then qualify for a wide range of conventional mortgage or affordable housing financing. In Vermont, for example, lower income households that reside or wish to move into a community owned development can be provided with down payment assistance, foreclosure assistance, and financing to renovate or replace deteriorated homes.

As mentioned previously, a special problem that affects many owners of manufactured homes is that the debt on the homes often exceeds their values. To address this problem, Vermont offers refinancing of such loans at more favorable rates and terms, often including pay offs as a component of a rehabilitation or replacement loan. In order to accomplish this, Vermont has had to relax typical loan to value requirements and therefore the loans are admittedly not as secure. However, Vermont believes that the community and social benefit of bringing the housing units up to a safe, decent, and energy efficient standard and removing dilapidated units from circulation to be worth the risk.

In addition to assisting the owners of manufactured homes, mobile home park acquisitions may also help low income renters within the parks of units to achieve affordable homeownership, especially those renters who receive Section 8 Rental Housing Voucher Program assistance. In order to help low income renters become homeowners, under certain circumstances clients may use monthly housing assistance payments provided through the Voucher Program for monthly home mortgage costs. As previously described, once a park is acquired, the manufactured home occupied by a client or a replacement manufactured home can be made eligible for Voucher Program homeownership assistance as real property on a permanent foundation with a long term lease. For such low income tenants, a mobile home park acquisition and conversion of units from personal to real property may provide an otherwise unavailable homeownership opportunity.

Of course not all dilapidated older mobile homes are located in mobile home parks, nor is park acquisition feasible and appropriate for all communities and markets. For those mobile homes located on land that is owned by the homeowners or that have long term leaseholds, traditional rehabilitation/replacement methods can be used. For those occupying substandard mobile homes as renters, relocation to other rental housing may be the best option, despite the growing lack of affordable housing alternatives in some communities. But for those who own their homes placed on short term leased space that will not be converted to some type of community ownership, replacement or rehabilitation will continue to be problematic.

One approach several communities have taken to address this problem is to include decommissioning and replacement housing as a component of a more comprehensive relocation assistance program. Many communities and some states have instituted special relocation programs for households displaced by mobile home park closures. Washington, for example provides funds especially for the decommissioning of mobile homes that cannot (or should not) be relocated because of their dilapidated or unsafe condition. Usually, relocation assistance is funded by CDBG, state and local funds, or a combination thereof. Some states, Florida for example, require that a relocation plan and relocation assistance be in place prior to rezoning a mobile home park for other use by a local jurisdiction.

Some communities offer rehabilitation and replacement financing even for those whose homes will continue to be placed on rented space. For over a decade, the City of Boulder, Colorado, has had a Mobile Home Rehabilitation Program that provides health and safety repairs to mobile homes. Assistance is provided through a two year forgivable loan limited to $7,500. This year, HRC is implementing a rehabilitation program in the City of Missoula using CDBG funds in which rehabilitation loans will be targeted to those formerly excluded homeowners that live in manufactured housing on rented space. Many older pre-HUD Code mobile homes, however, are in such dilapidated conditions that rehabilitation is not an appropriate or cost effective remedy. Most communities and states have felt that the financial risk associated with the insecure tenure and uncertain future space rental costs does not justify the higher costs of replacement of homes on rented land, particularly when decommissioning must be included in the cost.

Some communities, however, do believe that the overall community and social benefits warrant public investment in decommissioning and replacing these substandard units. For example, the City of Northfield, Minnesota has established a Manufactured Home Acquisition Program. The goal of the Program is to provide safe, decent housing for low- and moderate-income families by disposing of their substandard manufactured home units and providing them with financial assistance of up to $5,000 for replacement housing. The cost of disposition is covered by the City using its CDBG entitlement community funding.

In order to determine the eligibility of a particular manufactured home for the Program, an inspection is conducted by the City's Building Inspection Division. The inspection determines if the unit is code compliant. If a unit is not code compliant and the cost of bringing it into compliance with the code is more than 25% of the value of the unit, the unit is considered eligible for the Program. Upon Program approval the manufactured home is removed and demolished by a City designated contractor who then has salvage rights to the property. In turn, up to $5,000 is granted to the applicant to use towards the purchase of a new code compliant manufactured home or to be used as a down payment or for eligible closing costs on a traditional home.

As the preceding description of strategies and efforts indicates, there is no single approach that can adequately address the complex problems associated with decommissioning and replacing outmoded and substandard manufactured housing. Particularly in Montana, with its diverse communities and housing markets, a combination of approaches will be necessary. While there is no panacea, by adapting some of the strategies that have proven to be effective elsewhere, Montana has the ability to establish the mechanisms and programs that will enable the state to minimize, if not totally resolve, the problems of substandard manufactured housing and the associated problems of mobile home park closures over the long term.

Recommended Strategies

The strategies proposed in this section are at the conceptual stage of development. Before proceeding to a complete and detailed implementation plan, input from key stakeholders will be needed to identify issues and concerns and to assess support for or opposition to the proposed concepts. A more thorough market and cost analysis will also be necessary to assure that the strategies are feasible in the varied communities throughout the state.

The strategies proposed are based on a summary review of "best practices" throughout the country as well as on a preliminary analysis of need, market, and costs in Montana. The strategies are presented as two basic approaches or programs. It is recommended that the programs be implemented as pilot efforts with maximum flexibility to make policy and procedural changes as circumstances warrant.

Initially, the goal of this report was to conduct a preliminary analysis and recommend a strategy or strategies to decommission dilapidated pre-HUD Code manufactured homes and replace them with safe, decent, energy efficient, and affordable housing. However, the benefits of the strategies to meet the initial goal are such that the goals of the strategies have been expanded. These goals can now be stated as follows:

1. To decommission dilapidated pre-HUD Code (1976) owner occupied manufactured housing and provide safe, decent, energy efficient, and affordable replacement housing.
2. To rehabilitate manufactured housing occupied by lower income homeowners to safe, decent, and energy efficient standards when such rehabilitation can be demonstrated to be cost effective.
3. To preserve the affordability of replaced or rehabilitated housing stock.
4. To prevent displacement of families, homelessness, and the loss of affordable housing stock resulting from mobile home park closures.
5. To provide stable tenure and space lease costs for residents of mobile home parks.
6. To replace or convert depreciating manufactured homes classified as personal property to real estate with appreciating values.
7. To address infrastructure problems within mobile home parks or manufactured housing developments.

The two basic strategies proposed to achieve these goals are:

1. To finance the acquisition and renovation of existing mobile home parks or the development of replacement manufactured home subdivisions with terms and conditions that preserve affordability and provide appreciating home values for residents.
2. To finance the decommissioning and replacement or rehabilitation of individual pre-HUD Code manufactured homes with terms and conditions that assure affordability.

Fundamental to both approaches is the provision of debt financing as loans through a revolving loan fund. However, it should be recognized that the often very low incomes of program beneficiaries and the nature of activities to be conducted are such that not all program costs can realistically be recaptured. In addition to a public investment, some public subsidy in the form of forgivable loans or grants will be necessary. The benefits of the programs to the overall economic and social well being of Montana communities and residents justify some public subsidy in addition to what will be recaptured and re-used.

<u>Mobile Home Park Acquisition and Development Program</u>

This strategy is recommended as an essential component of Montana and its communities' affordable housing preservation efforts. Based primarily on the Vermont model described in the "Best Practices" section of the report, the program would address the problems and financing barriers associated with owner occupied homes being placed on leased land with short term rental agreements.

The program would provide financing for the acquisition and renovation of existing mobile home parks or the development of "replacement" manufactured housing subdivisions. The terms and conditions of the financing would be such that, when combined with funding through existing federal housing and community development programs, the costs of leasing or owning a manufactured home lot would be affordable to households with incomes at or below 60% of the area median. Financing terms and conditions would include use restrictions that limit the costs long term leases or lot ownership to assure permanent affordability. Funding for necessary infrastructure improvements would be incorporated into the overall financing package.

The income targets of the program beneficiaries and affordability standards may vary depending on the specific needs and markets of the diverse Montana communities. In recognition of the social benefits of mixed income housing, not all residents of the assisted developments would necessarily be income eligible.

Eligible borrowers would include tenant based nonprofit organizations, community based nonprofits, statewide nonprofit entities, housing authorities, and local governments. Financing would be made available on a case by case basis, contingent upon a market analysis that demonstrates the need and feasibility of the proposed acquisition or replacement development. The analysis would include cost comparisons of alternatives to preserve affordability for the mobile home park residents.

Any acquisition or development would also need to be consistent with the local community planning goals and supported by the local jurisdiction. As previously described, attitudes and perceptions regarding mobile home parks and their residents are often negative. Neglected infrastructure, unkempt or nonexistent landscaping, and deteriorating older manufactured homes sometimes confirm these negative perceptions, and such parks are considered community liabilities and eyesores. An educational campaign may be necessary to demonstrate the continued need for affordable manufactured home subdivisions including visual evidence that mobile home parks can be transformed into attractive, healthy, neighborhoods of which the community can be proud.

A requirement that mobile home park owners notify a state agency of the intent to sell has been an important tool in many states by enabling the state and community organizations to evaluate acquisition versus alternative actions and to assemble financing for a possible purchase. It is therefore recommended that such notification to the Montana Board of Housing or the Division of Housing be instituted as part of the program. The timing of the notification should be sufficient to allow communities to respond to the proposed sale. A minimum 60 day notification period is suggested.

Financing for the program would consist of a combination of existing resources and a proposed state appropriation for the program. First mortgage tax exempt bond financing could be made available through the MBOH. There appears to be no statutory or regulatory prohibition against the provision of affordable mobile home park acquisition/development financing by MBOH. However, the provision of such financing is likely to require that policy changes be made by the Board.

Conventional commercial and real estate loans may also be available for first mortgage financing, including financing made available through the Federal Home Loan Bank. However, it is unlikely that such loans could offer terms and rates as favorable as those made through the issuance of a tax exempt bond. In addition, MBOH may need to pave the way for first mortgage financing for affordable mobile home parks, demonstrating that the loans can be secure and sound investments.

In rural areas, the USDA Rural Development Water and Environmental can finance infrastructure improvements in mobile home parks under certain conditions. In Montana, mobile home parks that have formed water/sewer districts have received Rural Development financing for infrastructure renovations. Terms for infrastructure improvement loans are up to 4% (currently 4 3/8 %) over 20 to 40 years.

CDBG and HOME Program funds can also provide grant financing to assist in mobile home park acquisition as well as infrastructure improvements. In some cases, DNRC and TSEP funding can also be used to assist in financing the improvements.

While CDBG and HOME Program funds may be used in the proposed program, the demand for funding from these programs for affordable housing has consistently exceeded the available resources. There is a limited and shrinking amount of federal funding available to the state for affordable housing. If existing federal financing were to be committed to the proposed program, the funding for other priorities such as special needs housing, rental housing development, and homeownership opportunities would consequently be reduced.

While Montana effectively accesses private investment for affordable housing through the issuance of tax exempt bond and the Low Income Housing Tax Credit Program, the state has relied almost entirely on the federal government for the public financing and subsidies to needed to address its affordable housing needs. With a growing federal deficit and federal financing priorities often do not include affordable housing or community development, a continuing dependence on federal funding to address Montana’s needs is likely to result in a continually declining capacity in the state. If the proposed program is to have a significant impact, some state financing will be needed.

A state appropriation is recommended to capitalize a revolving loan fund for second subordinate mortgage financing for the program. The terms and conditions for the second mortgages would be flexible based on the needs of specific acquisitions or developments. In addition to the provision of second mortgages, the funds might also be "blended" into the first mortgage financing to achieve the rates and terms that will produce affordability.

The appropriation could be for a "stand alone' fund or it could be incorporated into a more comprehensive affordable housing or community development appropriation. Further analysis and an assessment of the political support for a proposed appropriation will be necessary prior to determining a precise amount to request. Based on a very preliminary cost analysis, a $3,000,000 fund, when combined with the other proposed financing, could enable eligible entities to acquire 10 to 20 mobile home parks over a two to three year period.

To assess the financial feasibility of the approach, sample pro forma were developed for three mobile home parks that were for sale during the development of this report. The pro forma are provided as Attachment B. The parks were located in Helena, Great Falls, and Billings. Note that these pro forma do not account for any necessary capital improvements. Engineering inspections would be needed to determine the condition of a park's infrastructure including the water and sewer systems, the road ways and drainage.

The sales price for the 23 unit Billings park is $525,000. The owner currently charges $215 for lot rent. The forecasted income is based on 5% vacancy to allow for turnover, which matches the estimate used by the MBOH Low-Income Housing Tax Credit Program when underwriting its projects. The owner reports an additional $1,000 in monthly income. These figures yield an annual income of $68,373.

Data regarding the operating income and expenses was provided by the owners of the properties, through their realtors. The data is assumed to be accurate. Annual Replacement Reserves were based on an annual $300 per unit. This is a standard amount used for rental properties occupied by families. Annual operating expenses for the first year would be $20,612, with an additional $6,900 for replacement reserves.

The first year would see net income available for debt service equal to $40,861. To project 15 year expense and revenue streams, the analysis assumes income will increase at a rate of 2% while expenses, including replacement reserves, will increase at 3% approximating the annual inflation rate. These assumptions provide a conservative estimate to determine the amount of debt carried on each deal.

In the Billings park's case, to allow for a 1.1 debt coverage ratio (another MBOH guideline), annual debt would need to be below $37,000. Assuming a 20-year loan at 7% were available, the purchaser would need an additional $130,000 in subsidy. That subsidy could be provided through a deferred payment second mortgage from the proposed revolving loan fund. If immediate repayment of the second mortgage loan is more desirable, a similar annual debt could be achieved by providing first mortgage financing of $265,000 with a second mortgage of $260,000 with an interest rate of 3% and a 30 year term.

The owner of the Great Falls mobile home park is asking $745,000 for a 36 unit development. Using similar assumptions to the Billings case, annual income would be $88,236. Operating expenses and replacement reserves would take $32,929 of that, leaving $55,307 for debt service in the first year. Based on a 20-year loan at 7%, the purchaser would require $205,000 in subsidy. Again, a deferred payment second mortgage could be made or the ratio and term of second mortgage financing could be adjusted to achieve similar annual debt service.

Finally, the Helena case involves a 36-unit park selling for $860,000. Annual income is estimated to be $94,449, operating expenses and replacement reserves to be $ 31,100, with net income of $63,349. With an annual debt service of $57,217 on a 20-year, 7% loan, a new owner would need $245,000 in subsidy to make the deal work. In many instances, it may be possible to include CDBG and/or HOME funding to cover a portion of the needed subsidy or to fund necessary capital improvements.

These three cases demonstrate a number of things. The parks are currently providing affordable lease space for owners of manufactured homes. These current rent rates would not provide sufficient cash flow for new owners who are likely to carry debt to purchase the property, and rent increases would most likely be necessary. However, the gap between revenues and expenses including debt service is not insurmountable. Favorable mortgage terms and modest subsidy injections would enable a new community based owner to acquire these parks and keep lot rents in an affordable range.

There are of course other instances where park acquisition will not prove financially feasible or appropriate. In Whitefish for example, a cursory examination of the proposed asking price of the mobile home park currently for sale indicates a per manufactured home lot cost of approximately $145,000. In this case, there are likely more cost effective alternatives that could preserve affordability and provide replacement housing opportunities rather than attempting to purchase the park.

In the Red Lodge situation in which the city has land that it unsuccessfully attempted to exchange for the mobile home park that is currently closing, the development of a replacement manufactured housing development in which residents of the current park may be relocated could be a better option.

The community of Sidney provides an example of where neither the acquisition of an existing park nor the development of a new manufactured housing subdivision seems necessary or appropriate. The Richland County Housing Authority reports that approximately seven years ago, the county took possession of nearly 70% of the manufactured home lots due to non-payment of taxes. Many of the lots since have sold to the manufactured homeowners for around $1,000. Other lots were purchased 10 to 20 at a time by companies, to be used for employee housing in anticipation of another oil boom. Currently smaller lots (70’ x 140’) tend to sell for $6,000 to $10,000. In this community it would appear that the cost and supply of lots would enable the financing of replacement housing for antiquated mobile homes on land either currently owned or to be acquired by the mobile homeowners.

The above scenarios demonstrate the potential financial feasibility of the proposed program. The examples also illustrate how the strategy can be flexible to address the diverse needs, markets, and conditions that exist throughout Montana.

It is recommended that the proposed program be incorporated into the existing Montana affordable housing financing and management system. MBOH could be responsible for developing rules, underwriting criteria, and application processes for both the first mortgages and the proposed second mortgage revolving loan fund. Rural Development, CDBG, and HOME Program funding would be accessed through their existing application processes. Community Housing Development Organizations, Human Resource Development Councils, the Montana Homeownership Network, and local Housing Authorities would be the entrepreneurial entities responsible for putting together the "deals."

In the recent past, a similar administrative structure and partnership proved to be very effective in addressing the affordable housing preservation needs resulting from of HUD and Rural Development subsidized rental housing with expiring affordability restrictions.

Mobile Home Decommissioning, Replacement, and Rehabilitation Program

The second strategy or program of the recommended effort is to provide financing for the decommissioning and replacement or rehabilitation of owner occupied mobile homes, targeting pre-HUD Code units. The goal of the program is to remove dilapidated mobile homes from the Montana housing stock and to replace them with safe, code compliant and energy efficient housing.

For homes located on land owned by the homeowners or in mobile home parks owned by community nonprofit organizations, the proposed program may not be as needed or may play a secondary role. With proper site placement, replaced or rehabilitated units in these circumstances can qualify for an array of financing from existing affordable housing mortgage and assistance programs. In these instances, decommissioning could be funded through the program, while the replacement or rehabilitation costs could be financed primarily through existing affordable housing programs. The primary intent of the proposed program is to address the units and families residing on rented lot spaces or land, a housing stock and population that have been excluded from existing affordable housing financing and assistance.

The replacement housing would be primarily newer HUD Code manufactured homes but site built replacement homes may be an option in some circumstances. Rehabilitation would be an eligible alternative to bring the targeted homes up to program standards. The determination of whether to rehabilitate or replace a home would be based on an analysis of the most cost effective method of meeting the housing standards.

At a minimum, it is recommended that the program housing standards reflect the current HUD Code for manufactured housing. However, it would be desirable to achieve optimal energy efficiency standards. Program housing and energy efficiency standards will need to be established during the development of the program rules, regulations, policies, and procedures. Cost limits for replacement and rehabilitation will also need to be established, which may limit the level of energy efficiency that can be achieved.

The program would provide financing for decommissioning, replacement housing or rehabilitation, and, under some circumstances refinancing or paying off existing debt on the unit. It is proposed that decommissioning and a portion of the replacement costs be funded as a grant or forgivable loan, with the majority of replacement or rehabilitation financing being provided to the homeowners through low interest amortizing loans with flexible terms. The terms and conditions of the loan would be structured to provide affordable monthly housing costs for the low income borrowers. The loans would be secured with titles to the replacement or rehabilitated manufactured homes.

Within the program loan terms to be established, flexible program loan to value ratios would need to be established to allow financing of existing debt on the units assisted. For example, a loan to value ratio of up to 110% may be reasonable and necessary in order to assist many of the targeted low income families.

Initially, the program would target clients of the Montana Weatherization Assistance Program for two reasons. First, weatherization clients represent the lowest income households that may be most in need of assistance. Second, Weatherization Program funding, an important component of the program financing resources, would only be available to these clients. As the program demonstrates its effectiveness, it would be expanded to serve other households with incomes up to 80% AMI.

The program would need to establish credit standards. These standards should not be as stringent as mortgage financing requirements but should be sufficient to minimize risk and hold borrowers accountable. It is recommended that participants be required to complete a consumer or household financial management course prior to a loan commitment. This requirement might be waived for senior citizens or those with proven credit worthiness.

Financing for the program would consist of a combination of existing resources and a proposed state appropriation for the program. A state appropriation is proposed to capitalize a revolving loan fund to provide mobile home replacement or rehabilitation loans to eligible low income homeowners. It should be clarified that only one revolving loan fund for both the mobile home park and decommissioning/replacement programs is recommended. Again, the appropriation could be specific to this program or incorporated into a more comprehensive affordable housing or community development appropriation. Based on preliminary cost and market data, a $1,000,000 loan fund could initially finance the replacement of between 40 to 65 mobile homes.

Because of the financial capacities of the very low income target population, a low interest rate of 2% for the replacement/rehabilitation loans is recommended at this time. Further market and cost data may support a higher interest rate but it is unlikely that a rate over 3% will be affordable to very low income households. A fee of up to $1,000 may be incorporated into loan in order to cover administrative, loan processing, education and counseling, and technical assistance. Although the inclusion of the fee in the loan may require that loan to value ratios be relaxed and make the loans nominally less secure, this would be more advantageous than financing these costs as a grant and thereby eroding the corpus of the loan fund over time.

There are strong indications that Weatherization Assistance Program funds may be used for either down payment assistance for replacement housing or to retrofit the replacement housing when the expenditure can be justified through energy savings. Information from the Bonneville Power Administration Conservation and Renewable Resources Rate Discount Program indicates that the replacement of older mobile homes with newer manufactured homes that meet current HUD energy standards would be justified by the cost savings in most instances. Therefore, program financing includes Weatherization Assistance Program funding of up to $5,000 per unit for replacement housing down payment assistance or retrofitting. If Weatherization funding is not available for any reason, it may be necessary to defer a portion of the replacement loan and fewer households would be assisted.

CDBG Program funding is proposed for the costs of decommissioning. Demolition as part of blight removal strategies is an eligible activity of the CDBG Program, which target low income households. The benefit to the very low income population as well as to the community as a whole would justify the public subsidy through the program.

Decommission costs range widely throughout the state, depending on land fill fees and the distance to a land fill that will accept the mobile home. Based on cost estimates provided by manufactured home transport companies, a low cost would be about $1,500 and a high cost with long transportation distances would be approximately $4,000. Anticipating increasing transportation costs from rising fuel prices and using a high average of $4,500 per unit, CDBG funds of from $180,000 to $292,500 over a two to three year period would be required to decommission 40 to 65 units.

To test the financial feasibility of the proposed decommission/replacement program, a lower and higher cost estimate and budget were developed using preliminary cost and market data. The budget and pro forma scenarios are provided as Attachment C.

Decommissioning, transportation, and set up cost estimates were based on information provided by manufactured home transport companies. The costs of the replacement homes were based on the purchase of repossessed units with purchase price estimates provide by manufactured home dealers, mobile home court owners, and transport companies. The household income level used was based on the average income of manufactured homeowners residing in Missoula, Ravalli, and Mineral County who were clients of the 2004-05 Weatherization Assistance Program.

The lower cost scenario demonstrates that the proposed replacement housing loan would be affordable to the low income household, based on a 30% of monthly income housing cost affordability standard. The lower cost scenario would enable a loan term of 15 years at the proposed 2% interest rate.

The higher cost scenario uses an increased cost estimate for nearly every category (transportation, set up, and replacement home) and includes a $5,000 pay off of debt on the home to be decommissioned. Even when extending the loan term to 30 years, it does not appear to be feasible to meet a 30% monthly housing cost affordability standard for a household with a $14,000 annual income in circumstances where there are combination of higher costs.

The higher cost scenario illustrates the challenge of providing loan financing to very low income households. If replacement and transportation costs are at the higher end and/or if the family has too much debt on the existing unit, the program may not be able serve the household using the proposed loan terms and conditions. In order to serve very low income households, additional subsidies may be necessary in some circumstances.

Additional market and cost data will be needed from a representative sample of Montana communities in order to confirm the feasibility of the proposed decommission/replacement program. In particular, more information about the incomes, debt, and credit situation of the targeted households will be needed. Furthermore, the interest and willingness of the targeted population to participate in the proposed loan program needs to be ascertained. To this end, a survey of the proposed beneficiaries using state databases is suggested.

It is recommended that the proposed program be incorporated into the existing Montana affordable housing financing and management system. MBOH, the CDBG Program, and the Weatherization Assistance Program would be jointly responsible for developing rules, underwriting criteria, and application processes for program. MBOH would be primarily responsible for developing loan policies and underwriting criteria, CDBG would administer and develop the policies and procedures for the decommissioning component of the program, and the Weatherization Assistance Program would develop the criteria and conditions for its replacement housing and retrofit financing. From the consumer's perspective, the end result should be a unified program with a single application and service delivery process. Community Housing Development Organizations, Human Resource Development Councils, the Montana Homeownership Network, and local Housing Authorities would be responsible for marketing, application and loan processing, and providing or coordinating necessary education and technical assistance.

Based on the preliminary analysis which indicates the program is feasible for many if not all the targeted households, it is recommended to proceed with the collection of needed information and the development of the program.

Legislation and Policy Changes

Legislation will be required to implement the proposed strategies. First and foremost, an appropriation will be needed to capitalize the revolving loan fund of the program. Secondarily, a statute that requires mobile home park owners to provide notification of upcoming park sales is recommended, though not critical to the program's success.

Proceeding toward legislative action may be contingent upon sufficient support from key stakeholders, and particularly from the proposed administrators and funding entities of the programs. Should there be sufficient support to proceed, it is recommended that any legislative effort be coordinated with or consolidated into a more comprehensive affordable housing or community development agenda. Currently, there is an effort to develop legislation that would allocate or dedicate funds for a Montana Housing Trust Fund, known as the Housing Montana Fund.

The legislative process is complex, and misunderstandings or misperceptions can lead to the demise of proposed legislation. If legislative efforts are perceived as duplicative or competitive, the prospects of each proposal could be damaged. It may be determined that it is in the best interest of this effort to proceed with a distinct and separate legislative proposal. In this event, it is recommended that the efforts be well coordinated, presenting a united front and message if at all possible.

There do not appear to be any regulations or policies that would prohibit MBOH from providing bond financing for mobile home park acquisition or development. If a proposal were made that met beneficiary income and other funding requirements, it could currently be considered by MBOH.

However, the proposed use of CDBG funds for a statewide decommissioning program may require some policy adaptation. Currently, CDBG distributes funding for housing activities through a competitive application process with local jurisdictions as eligible applicants. The use of CDBG funds for a statewide effort may require some type of broad intergovernmental agreement or a set-aside of funds for the decommissioning component of the program. An intergovernmental agreement might alleviate the need for multiple communities to apply for small amounts of funding for the program. Changes in CDBG policies and administrative procedures require a specified process including conducting public hearings and soliciting public comment. Similarly, using Weatherization Program Assistance funds to provide down payment and assistance for replacement housing would require policy and procedural modifications.

Next Steps and Further Actions

The intent of this preliminary analysis and report is to provide the framework from which to develop viable and effective strategies to address the need to decommission and replace dilapidated pre-HUD Code mobile homes and the associated problems created by mobile home park closures. Although key players such as MBOH, the CDBG Program, and the Weatherization Assistance Program were consistently consulted during the development of this report, further input is needed to identify issues and concerns and to develop the strategies beyond the conceptual stage. It is expected that the proposed strategies will be modified, perhaps significantly, as the result of such input.

Time is of the essence if a state appropriation for the proposed program is to be requested during the next legislative cycle. Therefore, it is recommended that this draft report be distributed to the entities that are proposed to manage and provide funding for the efforts for review and comment, convening a meeting of these organizations as soon as possible. Through the meeting or series of meetings, determinations can be made if and how to proceed with the development and implementation of the programs.

Additional cost and market data will also need to be collected to assess and confirm the feasibility of the proposed approaches in the diverse communities throughout Montana. Particularly needed is more information regarding the targeted low income mobile homeowners, their financial capacity, and interest and willingness to participate in the program. A market survey of these mobile homeowners is recommended.

In addition, a survey of mobile home park owners is recommended. A survey would help identify purchase opportunities, current and proposed lot rental rates, and infrastructure improvement needs.

The decommissioning component of the proposed programs assumes using the existing land fill system and technologies. However, there are issues and problems associated with the decommissioning of mobile homes that are beyond the scope of this preliminary analysis. County land fills in Montana vary in their classifications, what materials they will accept, and disposal fees. For example, the Baker landfill charges only $5 per bag or yard of friable asbestos whereas landfills such as Great Falls charge $35 for the same amount of waste. As a result of the varying land fill classifications and requirements, distances to dispose of a mobile or manufactured home will be significant in some areas. Additionally, some older mobile homes can no longer be transported as a single unit. These homes would have to be torn down on site and transported to a land fill, adding cost to the process.

Some states and communities have conducted research and developed pilot projects to salvage and recycle the material components of mobile homes. These efforts indicate that special salvage/recycling programs are not yet profitable and may not break even but could reduce or defray a portion of the decommissioning costs.

The Mobile Home Working Group has been examining these specific issues. It is recommended that intensified investigations continue into methods to develop a better coordinated land fill system in Montana, to develop salvage/recycling approaches to reduce if not eliminate decommissioning costs, and to develop technologies for more cost effective on-site dismantling and transportation of mobile homes to be decommissioned.

Conclusion

With a housing stock that has nearly double the national average of manufactured homes, Montana has long been plagued with the problem of older, dilapidated mobile homes built prior to the establishment of any construction standards. These homes are often occupied by among the most vulnerable low income citizens. More recently, Montana is beginning to experience the havoc, family crises, and community disruption that can result from mobile home park closures.

As Montana moves forward into the twenty first century, the time has come to begin the process of eliminating the housing conditions that pose immediate threats to the health, welfare and even life of the residents. The form of tenure provided in most mobile home parks has outlived its usefulness. Owned homes on rented land with short term leases are now creating a host of problems for the residents, and when these rental communities close down, a real community crisis can ensue.

Several states and many communities have developed effective approaches to address these two related problems. The proposed strategies in this report are patterned on the approaches that have proven to be most successful.

The proposed strategies do not provide a panacea. There will still be households and circumstances that the proposed program cannot affectively address. But by careful implementation, the strategies can create the mechanisms and processes to address the needs over the long term, transforming unsafe and depreciating personal property into safe and decent housing with appreciating values, and converting deteriorating mobile home parks into thriving, vital, and attractive manufactured housing neighborhoods.

ATTACHMENT A

MOBILE HOME
PARK ACQUISITION
PRO FORMA

RENT AND FORECASTED INCOME - Year 1

(a) **Number of Bedrooms**	(b) **Number of Units**	(c) **Gross Rent**	(d) **Utility Allowance**	(e) **Tenant Paid Rent** (c - d)	(f) **Total Monthly Rent** (b * e)	(g) **Median Income Targeted** (ie 50%,60%)	(h) **Average Sq. Ft. Per Unit**
	23	$215		$215	$4,945		

Subtotal - Gross Monthly Income		$4,945	
less Vacancy Factor	5%	($247)	
Other Project Income(monthly)		$1,000	
Total Forecasted Monthly Income		$5,698	**/ monthly**
Total Forecasted Annual Income		$68,373	**/ yearly**

Projected Annual Percentage Increase in Income: 2.00%

ANNUAL OPERATING EXPENSES

1. Administrative:

Advertising	
Management	$6,674
Legal/Partnership	
Accounting/Audit	
Other	
Total Administrative	$6,674

2. Operating:

Fuel	
Lighting & Misc Power	$971
Water/Sewer	$6,510
Gas	
Trash Removal	$1,151
Payroll/Payroll Taxes	
Insurance	$1,466
Other	
Total Operating	$10,098

3. Maintenance:

Decorating	
Repairs	
Exterminating	
Ground Expense	
Snow Removal	
Other	
Total Maintenance	

4. Taxes

Real Estate Taxes	$3,840
Other	
Total Taxes	$3,840

5. Total Operating Expenses	$20,612
6. Annual Replacement Reserves	$6,900
7. GRAND TOTAL EXPENSES	$27,512

Projected Annual Percentage Increase in Operating Expenses: 3.00%

15 YEAR OPERATING PRO-FORMA

Year	Rent (Income) (projected increase) 2.00%	Operating Expenses 3.00%	Replacement Reserve 3.00%	Net Income Available for Debt Service	Debt Service **	Net Cash Flow	Debt Coverage Ratio*
1	$68,373	$20,612	$6,900	$40,861	$36,749	$4,112	111.19%
2	$69,740	$21,024	$7,038	$41,678	$36,749	$4,929	113.41%
3	$71,135	$21,445	$7,179	$42,512	$36,749	$5,763	115.68%
4	$72,558	$21,873	$7,322	$43,362	$36,749	$6,613	117.99%
5	$74,009	$22,311	$7,469	$44,229	$36,749	$7,480	120.35%
10	$81,712	$24,633	$8,246	$48,833	$36,749	$12,084	132.88%
15	$90,217	$27,197	$9,104	$63,020	$36,749	$26,271	171.49%

*Debt Coverage Ratio = Net Income Available for Debt Service / Debt Service

**Debt Terms:	Interest	Years	Principle	Necessary Subsidy
	7%	**20**	**395,000**	**130,000**

RENT AND FORECASTED INCOME - Year 1

(a) **Number of Bedrooms**	(b) **Number of Units**	(c) **Gross Rent**	(d) **Utility Allowance**	(e) **Tenant Paid Rent** (c - d)	(f) **Total Monthly Rent** (b * e)	(g) **Median Income Targeted** (ie 50%,60%)	(h) **Average Sq. Ft. Per Unit**
	36	$215		$215	$7,740		

Subtotal - Gross Monthly Income		$7,740	
less Vacancy Factor	5%	($387)	
Other Project Income(monthly)			
Total Forecasted Monthly Income		$7,353	**/ monthly**
Total Forecasted Annual Income		$88,236	**/ yearly**

Projected Annual Percentage Increase in Income: 2.00%

ANNUAL OPERATING EXPENSES

1. Administrative:

Advertising	$68
Management	$2,400
Legal/Partnership	
Accounting/Audit	
Other	
Total Administrative	$2,468

2. Operating:

Fuel	
Lighting & Misc Power	$927
Water/Sewer	$7,068
Gas	
Trash Removal	$3,300
Payroll/Payroll Taxes	
Insurance	$1,440
Other	
Total Operating	$12,735

3. Maintenance:

Decorating	
Repairs	$642
Exterminating	
Ground Expense	$375
Snow Removal	
Other	
Total Maintenance	$1,017

4. Taxes

Real Estate Taxes	$5,909
Other	
Total Taxes	$5,909

5. Total Operating Expenses	$22,129
6. Annual Replacement Reserves	$10,800
7. GRAND TOTAL EXPENSES	$32,929

Projected Annual Percentage Increase in Operating Expenses: 3.00%

15 YEAR OPERATING PRO-FORMA

Year	Rent (Income) (projected increase) 2.00%	Operating Expenses 3.00%	Replacement Reserve 3.00%	Net Income Available for Debt Service	Debt Service**	Net Cash Flow	Debt Coverage Ratio*
1	$88,236	$22,129	$10,800	$55,307	$50,239	$5,068	110.09%
2	$90,001	$22,572	$11,016	$56,413	$50,239	$6,174	112.29%
3	$91,801	$23,023	$11,236	$57,541	$50,239	$7,302	114.53%
4	$93,637	$23,483	$11,461	$58,692	$50,239	$8,453	116.83%
5	$95,509	$23,953	$11,690	$59,866	$50,239	$9,627	119.16%
10	$105,450	$26,446	$12,907	$66,097	$50,239	$15,858	131.56%
15	$116,426	$29,199	$14,250	$87,227	$50,239	$36,987	173.62%

*Debt Coverage Ratio = Net Income Available for Debt Service / Debt Service

**Debt Terms:	Interest	Years	Principle	Necessary Subsidy
	7%	**20**	**540,000**	**205,000**

RENT AND FORECASTED INCOME - Year 1

(a) **Number of Bedrooms**	(b) **Number of Units**	(c) **Gross Rent**	(d) **Utility Allowance**	(e) **Tenant Paid Rent** (c - d)	(f) **Total Monthly Rent** (b * e)	(g) **Median Income Targeted** (ie 50%,60%)	(h) **Average Sq. Ft. Per Unit**
	35	$215		$215	$7,525		
	1	$760		$760	$760		

Subtotal - Gross Monthly Income		$8,285	
less Vacancy Factor	5%	($414)	
Other Project Income(monthly)			
Total Forecasted Monthly Income		$7,871	**/ monthly**
Total Forecasted Annual Income		$94,449	**/ yearly**

Projected Annual Percentage Increase in Income: 2.00%

ANNUAL OPERATING EXPENSES

1. Administrative:

Advertising	$23
Management	$2,625
Legal/Partnership	
Accounting/Audit	
Other	$30
Total Administrative	$2,678

2. Operating:

Fuel	
Lighting & Misc Power	$2,997
Water/Sewer	$2,400
Gas	$454
Trash Removal	$3,787
Payroll/Payroll Taxes	
Insurance	$2,251
Other	
Total Operating	$11,889

3. Maintenance:

Decorating	
Repairs	$801
Exterminating	
Ground Expense	$1,963
Snow Removal	
Other	
Total Maintenance	$2,765

4. Taxes

Real Estate Taxes	$2,418
Other	$550
Total Taxes	$2,968

5. Total Operating Expenses	$20,300
6. Annual Replacement Reserves	$10,800
7. GRAND TOTAL EXPENSES	$31,100

Projected Annual Percentage Increase in Operating Expenses: 3.00%

15 YEAR OPERATING PRO-FORMA

Year	Rent (Income) (projected increase) 2.00%	Operating Expenses 3.00%	Replacement Reserve 3.00%	Net Income Available for Debt Service	Debt Service**	Net Cash Flow	Debt Coverage Ratio*
1	$94,449	$20,300	$10,800	$63,349	$57,217	$6,132	110.72%
2	$96,338	$20,706	$11,016	$64,616	$57,217	$7,399	112.93%
3	$98,265	$21,120	$11,236	$65,908	$57,217	$8,691	115.19%
4	$100,230	$21,543	$11,461	$67,226	$57,217	$10,009	117.49%
5	$102,235	$21,974	$11,690	$68,571	$57,217	$11,354	119.84%
10	$112,875	$24,261	$12,907	$75,708	$57,217	$18,491	132.32%
15	$124,623	$26,786	$14,250	$97,838	$57,217	$40,621	170.99%

*Debt Coverage Ratio = Net Income Available for Debt Service / Debt Service

Debt Terms:	**Interest**	**Years**	**Principle**	**Necessary Subsidy**
	7%	**20**	**615,000**	**245,000**

ATTACHMENT B

MOBILE HOME
DECOMMISSIONING AND REPLACEMENT
PRO FORMA

Manufactured Home Replacement
Sample Budgets & Pro Forma

LOWER COST SCENARIO

Decommissioning	**Amount**
Disconnect and transport	$650
Land Fill Fee	$750
Total Decommission Costs	$1,400
Replacement Costs	
Replacement Home	$12,500
Transportation and set-up	$1,200
Program Fee	$1,000
Total Replacement Costs	$14,700
Less CDBG Decommissioning Subsidy	$1,400
Less Weatherization Replacement Subsidy	$5,000
Total Amount to Finance	$8,300
Monthly Ownership Costs	
Monthly Mortgage Payment (at 2%, 15 year term)	$53
Space Lease	$250
Insurance	$36
Total Monthly Housing Costs	$339
Affordable Housing Cost (at 30% of monthly income, annual income $14,000)	$350

HIGHER COST SCENARIO

Decommissioning	**Amount**
Disconnect and transport	$3,200
Land Fill Fee	$750
Total Decommission Costs	$3,950
Replacement Costs	
Replacement Home	$25,000
Transportation and set-up	$2,500
Existing Mobile Home Payoff	$5,000
Program Fee	$1,000
Total Replacement Costs	$36,450
Less CDBG Decommissioning Subsidy	$3,950
Less Weatherization Replacement Subsidy	$5,000
Total Amount to Finance	$27,500
Monthly Ownership Costs	
Monthly Mortgage Payment (at 2%, 30 year term)	$102
Space Lease	$250
Insurance	$42
Total Monthly Housing Costs	$394
Affordable Housing Cost (at 35% of monthly income, annual income $14,000)	$408